



July 1, 2009 - June 30, 2010

A Report to the Citizens of Tennessee

Mission statement

The mission of the Comptroller's Office is to improve the quality of life for all Tennesseans by making government work better.

Core values

- Honesty & Integrity
- Accuracy & Reliability
- Accountability

Role of the Comptroller

The position of Comptroller of the Treasury is established by the State Constitution. The Comptroller is elected for a two year term by the General Assembly. The duties of the Comptroller, assigned by statute, focus on financial and administrative management of state and local government and the audit of state and local government entities.

The Comptroller's Office is made up of 11 divisions. The divisions of State Audit, County Audit and Municipal Audit comprise the Department of Audit and are responsible for the audit of the state government and local governments. The oversight of the administration of the state's property assessment system is the responsibility of the Division of Property Assessments while the State Board of Equalization handles property tax appeals. The Office of State Assessed Properties conducts annual appraisals and assessments of public utility and transportation properties. The Office of Local Government develops and uses GIS technology to assist in various functions. The Office of State and Local Finance is responsible for the management of the state's debt and provides assistance and oversight to local governments on debt obligations and budgets. The Office of Research and Education Accountability provides objective, independent research for the Comptroller and the General Assembly and monitors the performance of Tennessee's elementary and secondary school systems. The Office of Management Services provides administrative and support services to the office. The Division of Administration provides direction, coordination and supervision to the office.

Over the years, the General Assembly has expanded the Comptroller's duties by directing the office to serve as a member on more than 35 committees, boards and commissions. These positions give the Comptroller considerable knowledge and oversight of State government.



Number of employee certifications

	2009	2010
Certified Fraud Examiners	118	114
Certified Public Accountants	92	97
Certified Govt. Financial Managers	76	80
Tennessee Master Assessor	23	25
Tennessee Certified Assessors	37	40
Certified Assessment Evaluators	12	14
Certified Professional Secretaries	15	13
Residential Evaluation Specialists	15	15
Certified Information Systems Auditors	8	7
Other	18	20
Total certifications	414	425

Comptroller employees have earned a wide range of certifications and are members of numerous professional organizations. Comptroller employees are valued for their knowledge and experience.

Strategic planning

The performance-based budget for the Comptroller's Office is based on the following strategic goals:

- Goal 1:** Assure public resources are used effectively, efficiently and in compliance with applicable law.
- Goal 2:** Accomplish and provide continuous improvement for the statutory and other assigned responsibilities of the Comptroller's Office.
- Goal 3:** Provide timely, adequate and accurate information to decision makers at all government levels.
- Goal 4:** Provide a diverse, competent, ethical and professional staff, and maintain continual development of such staff.
- Goal 5:** Provide and maintain effective communication with internal and external audiences.

What's inside

- Office overview
- Accomplishments
- Financials
- Future challenges

Our accomplishments

Since 1983, the Comptroller's Office has provided a toll-free hotline for reporting fraud, waste and abuse of government funds and property. Calls to the hotline are generally allegations of abuse or fraud as well as requests for assistance or information. The substantive calls are investigated by the Department of Audit and referred to the appropriate state agency or program for further investigation.

Although the Comptroller's Office most visible function is the audit function, the office, through its 11 divisions, carries out numerous statutory responsibilities. Within these divisions, several accomplishments have been achieved this year, and some are listed below:

2010 External Peer Review -- The Tennessee Comptroller of the Treasury's Department of Audit has recently passed a rigorous external peer review on its system of quality control. A system of quality control encompasses an audit agency's organizational structure and the policies and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*, issued by the Comptroller General of the United States.

The peer review was conducted in accordance with the policies and procedures for external peer review established by the National State Auditors Association (NSAA) in conjunction with the National Association of State Auditors, Comptrollers and Treasurers (NASACT). The team consisted of senior level auditors from seven other state audit organizations across the country. In the team's review of the department's quality control system, team members reviewed the adequacy of policies established to guide staff in the performance of audits and also reviewed a sample of audit engagements to test staff's compliance with those policies.

The peer review report, issued August 3, 2010, gave the Department of Audit an unmodified opinion. An unmodified opinion is the highest level of assurance that an external review team can give on a system of quality control. The team's report concluded that the Department of Audit's system of quality control in effect for the period July 1, 2009, through June 30, 2010, was suitably designed and was complied with during the period to provide reasonable assurance of conforming with *Government Auditing Standards*.



Education and Policy Reports — The Offices of Research and Education Accountability (OREA) provide the General Assembly with non-partisan, objective reports on a wide range of public policy issues. Over the past year, OREA has published 18 publications covering such topics as school safety, autism, charter schools and commercial fishing. Current areas of study include teacher evaluations, parental involvement in education, truancy and bullying. All of OREA's reports are written in a non-technical, reader-friendly style and can be accessed through our website (<http://www.comptroller1.state.tn.us/OREA/>).

Power of Technology

IMPACT — The Integrated Multi-Processing of Administrative and CAMA Technology (IMPACT) project is completing a detailed series of successful testing cycles with State users from the Division of Property Assessments, Office of State Assessed Properties and State Board of Equalization business areas, plus pilot County Assessor users. Pre-implementation activities are well underway for deployment in the coming months.

Debt Management System — The Debt Management System (DMS), for the Office of State and Local Finance, is designed to share data with Edison, the State's enterprise financial system. DMS will complete the design phase in Fall 2010.

Transparency and Accountability for Governments in Tennessee (TAG) website — TAG Tennessee was launched in February 2010. The site provides a gateway for users to obtain selected revenue and expenditure data for county governments in Tennessee. The information available on the site has been taken from the financial statements found in the county annual financial reports prepared by the Division of County Audit.

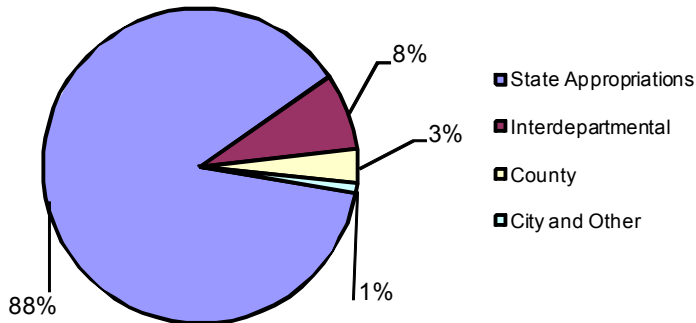
The Division of County Audit performs annual financial and compliance audits for 89 counties in Tennessee, and certified public accounting (CPA) firms perform the audits of the remaining 6 counties.

Comptroller service statistics	2009	2010
Long term debt outstanding (billions)	\$ 1.665	\$1.618
Overall interest rate on general obligation debt	4.48%	4.41%
Value of centrally assessed properties (billions)	\$15.0	\$15.1
Tax relief issued for qualified homeowners (millions)	\$21.7	\$22.7
Property tax billing documents provided (millions)	2.2	2.2
Department of Audit reports released	182	194
Department of Audit investigative audits released	27	25
Waste and abuse hotline calls	284	387
Research and Education Accountability reports issued	10	18
Opinions issued by the Open Records Counsel	28	11

Comptroller of the Treasury financial

Comptroller's Office sources of revenue

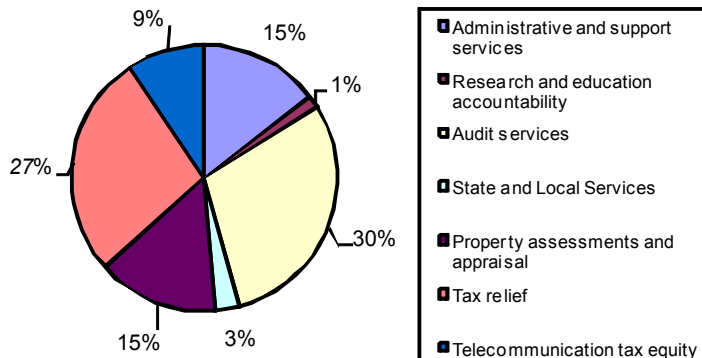
Fiscal year 2010 sources of revenue



Sources of revenue (millions)	FY 2009	FY 2010
State Appropriations*	\$78.7	\$73.6
Revenue:		
Interdepartmental	6.0	6.6
County	2.8	2.9
City and Other	0.7	0.7
Total funding sources	\$ 88.2	\$83.8

Comptroller's Office expenses

Fiscal year 2010 expenses by governmental activity



Expenses by governmental activity (millions)	FY 2009	FY 2010
Operating expenses:		
Audit services	\$24.6	\$24.9
Property assessments and appraisal	13.4	12.3
Administrative & support services	11.8	12.2
State and Local services	1.3	2.4
Research and education accountability	1.6	1.3
Earmarked programs:		
Tax relief	21.7	22.7
Telecommunication tax equity	12.8	8.0
Total expenses	\$88.2	\$83.8

Future challenges

Procurement Reform

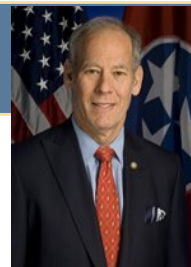
The Comptroller's Office was instrumental in passing legislation that will result in the creation of a consolidated procurement process for goods and services in Tennessee, Public Chapter 1098.

The Comptroller Procurement Oversight staff formed a workgroup in August 2009 with the objective of creating a more open, competitive, fair and streamlined procurement process to make purchases. A procurement process that is easy for vendors to understand and citizens to monitor.

The new law, which was approved with bipartisan support, requires the purchasing of goods and services to be combined under the oversight of one office with a single leader. This focus on creating a single entity was the first step toward procurement reform in Tennessee as recommended in F&A's 2006 report. Passage of this law is the starting point toward potentially creating substantial cost savings for the State. Perhaps more important than the potential dollar savings is the law opens the process up for major reforms to bring about greater accountability, competition and fairness in the procurement process and our taxpayers will be able to see more clearly how their tax dollars are spent. The law also places more emphasis on professional development and training for state employees who are involved in the procurement process.

While the new law creating a consolidated procurement process has been approved, there is still much work ahead to make sure the goals and objectives for creating the legislation and opportunity for reform are implemented. Our office has been charged with helping to ensure that the law is carried out in the manner in which legislators intended and ensuring the procurement process reformed focuses on accountability and an open, competitive and fair process to make purchases.

The key element to success toward procurement reform currently rests with the next Governor and his appointment of a Chief Procurement Officer. The law requires policy decisions to be made in one place - with strategic planning - after input has been received from state agencies and vendors.



Comptroller Justin P. Wilson

Making government work better

The Comptroller is committed to our mission of improving the quality of life for all Tennesseans by making government work better. His initiatives for the coming year include:

1. To assure that all federal funds received under the Recovery Act in Tennessee are fully accounted for and free of waste, fraud and abuse.
2. To evaluate and overhaul the state contract review and approval process for procurement of products and services for the State of Tennessee.
3. To assure that local governments are better informed and bond issues that cities and counties use for financing are transparent and free of conflicts of interest.

Links of interest

News releases: http://www.comptroller1.state.tn.us/RA_NR/NRreports.asp

Open records opinions: <http://www.tn.gov/comptroller/openrecords/opinions.htm>

Property tax relief: <http://www.tn.gov/comptroller/PA/PAtxr.htm>

Recovery Act (ARRA): www.tnrecovery.gov and www.recovery.com

Reports and audit releases: <http://www.comptroller1.state.tn.usAuditsAndReportsSearch/results1.aspx>

Tennessee bonds: <http://www.buytnbonds.com/>

State Capitol, First Floor
Nashville, TN 37243
(615) 741-2501

Website: www.tn.gov/comptroller

Email address:
comptroller.web@tn.gov

Fraud, waste and abuse hotline:
1 (800) 232-5454



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